

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**ANNUAL FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORTS**

**Year Ended June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **OCT 12 2011**

## TABLE OF CONTENTS

	PAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-6
INDEPENDENT AUDITORS' REPORT	7-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	9-10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	11-12
STATEMENT OF CASH FLOWS	13-14
NOTES TO FINANCIAL STATEMENTS	15-21
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL	22-23
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	24-25
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	26

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**Management's Discussion and Analysis**

The Management's Discussion and Analysis of the Jefferson Davis Central Waterworks District (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2011. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

**FINANCIAL HIGHLIGHTS**

- The District's assets exceeded its liabilities by \$3,013,687 (net assets) for the fiscal year reported.
- Total revenues of \$919,039 exceeded total expenditures of \$683,012, which resulted in a current year surplus of \$236,027, compared to prior year surplus of \$199,403.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$2,396,436 include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the purchase of capital assets.
  - (2) Restricted for debt service of \$157,275.
  - (3) Unrestricted net assets of \$459,976.
- At the end of the current fiscal year, unreserved net assets was 67% of total expenditures and 50% of total revenues.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include the financial statements and notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements. Comparative data for the prior year is presented.

**Basic Financial Statements**

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows.

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**Management's Discussion and Analysis**

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement presents information showing how the District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The District's net assets at fiscal year-end are \$3,013,687. The following table provides a summary of the District's net assets:

	<u>2011</u>	<u>2010</u>
Assets:		
Current assets	\$ 798,309	\$ 987,572
Capital assets	3,386,436	3,377,669
Other assets	<u>32,038</u>	<u>34,426</u>
Total assets	<u>4,216,783</u>	<u>4,399,667</u>
Liabilities:		
Current liabilities	278,096	442,617
Long-term liabilities	<u>925,000</u>	<u>1,179,390</u>
Total liabilities	<u>1,203,096</u>	<u>1,622,007</u>
Net assets:		
Investment in capital assets, net of debt	2,396,436	2,030,278
Restricted	157,275	244,684
Unrestricted	<u>459,976</u>	<u>502,697</u>
Total net assets	<u>\$ 3,013,687</u>	<u>\$ 2,777,660</u>

80% (73% for 2010) of the District's net assets are tied up in capital assets and restricted net assets for capital assets. The District uses these capital assets to provide services to its customers.

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**Management's Discussion and Analysis**

The following table provides a summary of the District's changes in net assets:

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 535,478	\$ 511,264
Non-operating Revenues	<u>383,561</u>	<u>296,560</u>
Total Revenues	919,039	807,824
Depreciation Expense	180,972	157,365
Other Operating Expenses	421,742	390,582
Non-operating Expenses	<u>80,298</u>	<u>60,474</u>
Total Expenses	<u>683,012</u>	<u>608,421</u>
Change in Net Assets	236,027	199,403
Beginning Net Assets	<u>2,777,660</u>	<u>2,578,257</u>
Ending Net Assets	<u>\$ 3,013,687</u>	<u>\$ 2,777,660</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The District's investment in capital assets, net of accumulated depreciation as of June 30, 2011, was \$3,386,436. See Note C for additional information about changes in capital assets during the fiscal year and the balance at the end of the year. The following table provides a summary of capital asset activity.

	<u>2011</u>	<u>2010</u>
Nondepreciable assets:		
Land	\$ 23,800	\$ 23,800
Construction in progress	<u>-</u>	<u>744,927</u>
	23,800	768,727
Depreciable assets:		
Plant & Distribution system	5,846,657	4,918,197
Furniture, fixtures and equipment	<u>251,456</u>	<u>245,250</u>
Total depreciable assets	6,098,113	5,163,447
Less accumulated depreciation	<u>2,735,477</u>	<u>2,554,505</u>
Book value-depreciable assets	<u>\$ 3,362,636</u>	<u>\$ 2,608,942</u>
Percentage depreciated	<u>45%</u>	<u>49%</u>
Book value-all assets	<u>\$ 3,386,436</u>	<u>\$ 3,377,669</u>

This year's major capital additions included above were:

- Office/kitchen addition \$ 82,926
- Water treatment plant upgrade project 62,934

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT  
WELSH, LOUISIANA**

**Management's Discussion and Analysis**

**Debt**

The District had \$990,000 in revenue bonds outstanding at June 30, 2011. A summary of this debt is shown in the table below.

	<u>2011</u>	<u>2010</u>
Revenue bonds	<u>\$ 990,000</u>	<u>\$ 1,370,000</u>

During the year, the District retired \$380,000 of the outstanding debt balance. See Note D for additional information regarding long-term debt.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shirley Hudson, Office Manager of Jefferson Davis Central Waterworks District.



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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KATHRYN BLESSINGTON, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

August 19, 2011

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the basic financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 2011. These basic financial statements are the responsibility of the Jefferson Davis Central Waterworks District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Davis Central Waterworks District as of June 30, 2011, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011 on our consideration of Jefferson Davis Central Waterworks District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Commissioners  
Jefferson Davis Central Waterworks District  
August 19, 2011  
Page Two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 3 through 6 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Gragson, Casiday & Guillory*



# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Net Assets

June 30, 2011

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 443,652	\$ 550,873
Accounts receivable	44,001	42,386
Prepaid expenses	10,590	3,459
	<u>498,243</u>	<u>596,718</u>
<b>Restricted Assets</b>		
Bond sinking fund		
Cash	28,970	94,137
Bond reserve fund		
Cash	125,327	151,896
Bond contingency fund		
Cash	13,156	14,261
Customer deposits		
Cash	132,613	130,560
	<u>300,066</u>	<u>390,854</u>
Total current assets	<u>798,309</u>	<u>987,572</u>
<b>Property, plant and equipment</b>		
Land	23,800	23,800
Construction in progress	-	744,927
Distribution system	5,846,657	4,918,197
Furniture, fixtures and equipment	36,593	33,342
Machinery and equipment	214,863	211,908
	<u>6,121,913</u>	<u>5,932,174</u>
Less accumulated depreciation	<u>2,735,477</u>	<u>2,554,505</u>
	<u>3,386,436</u>	<u>3,377,669</u>
<b>Other assets</b>		
Construction period interest, net	<u>32,038</u>	<u>34,426</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,216,783</u></u>	<u><u>\$ 4,399,667</u></u>

The accompanying notes are an integral part of these financial statements.

Continued

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Net Assets - Continued

June 30, 2011

	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Payable from current assets		
Accounts payable	\$ 73,794	\$ 137,591
Other current liabilities	<u>3,837</u>	<u>-</u>
	77,631	137,591
Payable from restricted assets		
Current portion of revenue bonds	65,000	168,000
Accrued interest	10,178	15,610
Customer deposits	<u>125,287</u>	<u>121,416</u>
	200,465	305,026
Total Current Liabilities	<u>278,096</u>	<u>442,617</u>
<b>Long-term liabilities</b>		
Revenue bonds payable (net of current portion)	<u>925,000</u>	<u>1,179,390</u>
	1,203,096	1,622,007
<b>Net Assets</b>		
Investment in capital assets, net of related debt	2,396,436	2,030,279
Restricted for debt service	157,275	244,684
Unrestricted	<u>459,976</u>	<u>502,697</u>
Total Net Assets	<u>3,013,687</u>	<u>2,777,660</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,216,783</u></u>	<u><u>\$ 4,399,667</u></u>

The accompanying notes are an integral part of these financial statements.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2011

	2011	2010
<b>OPERATING REVENUES</b>		
Charges for services	\$ 493,847	\$ 466,293
Installations	9,850	12,226
Penalties and reconnect fees	29,990	27,384
Miscellaneous	1,791	5,361
<b>TOTAL OPERATING REVENUES</b>	<b>535,478</b>	<b>511,264</b>
<b>OPERATING EXPENSES</b>		
Advertising	502	755
Amortization	2,388	2,388
Auto mileage	3,300	3,300
Chemicals	16,903	20,689
Communications	3,769	3,594
Contract labor	9,620	710
Depreciation	180,972	157,365
Dues	7,088	6,317
Equipment rental	3,961	2,360
Fuel	6,808	6,594
Garbage service	243	237
Insurance - employees	25,365	37,747
Insurance - other	12,738	23,518
Meter reading services	15,996	15,555
Miscellaneous	3,253	1,134
Office	1,651	1,191
Per diem	5,700	5,980
Postage	4,494	4,103
Printing	1,348	3,034
Professional fees	4,000	3,910
Repairs and maintenance	70,899	37,674
Retirement	6,953	6,953
Salaries	142,662	139,062
Supplies	28,235	21,781
Taxes and licenses	10,914	10,918
Utilities	31,907	29,778
Water samples	1,045	1,300
<b>TOTAL OPERATING EXPENSES</b>	<b>602,714</b>	<b>547,947</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>(67,236)</b>	<b>(36,683)</b>

The accompanying notes are an integral part of these financial statements.

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets - Continued

Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes, net	\$ 369,368	\$ 272,628
Interest income	14,193	15,932
Gain on sale of assets	-	8,000
Interest expense	(80,298)	(60,474)
	<u>303,263</u>	<u>236,086</u>
CHANGE IN NET ASSETS	236,027	199,403
NET ASSETS - BEGINNING	<u>2,777,660</u>	<u>2,578,257</u>
NET ASSETS - ENDING	<u>\$ 3,013,687</u>	<u>\$ 2,777,660</u>

The accompanying notes are an integral part of these financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Cash Flows

Year Ended June 30, 2011

	2011	2010
<b>CASH FLOWS FROM OPERATING REVENUES</b>		
Received from customers	\$ 533,863	\$ 515,899
Payments for supplies	(349,215)	(190,260)
Payments for services	(142,662)	(139,062)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>41,986</b>	<b>186,577</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Contributions from customers	\$ 3,871	\$ 2,660
Acquisition of fixed assets	(189,739)	(808,707)
Proceeds from sale of fixed assets	-	8,000
Proceeds from bonds	-	750,000
Principal paid on bonds	(380,000)	(132,000)
Ad valorem taxes	369,368	272,628
Interest paid on revenue bonds	(57,688)	(51,940)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(254,188)</b>	<b>40,641</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	14,193	15,932
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(198,009)</b>	<b>243,150</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>941,727</b>	<b>698,577</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 743,718</b>	<b>\$ 941,727</b>

The accompanying notes are an integral part of these financial statements.

Continued

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Statement of Cash Flows - Continued

Year Ended June 30, 2011

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit (loss)	\$ (67,236)	\$ (36,683)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Amortization	2,388	2,388
Depreciation	180,972	157,365
(Increase) decrease in:		
Accounts receivable	(1,615)	20,532
Prepaid expenses	(7,131)	4,673
Increase (decrease) in:		
Accounts payable	(63,797)	36,369
Accrued liabilities	-	(3,829)
Accrued interest payable	(5,432)	5,762
Other current liabilities	3,837	-
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	<u>\$ 41,986</u>	<u>\$ 186,577</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 63,120</u>	<u>\$ 54,712</u>

The accompanying notes are an integral part of these financial statements.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson Davis Central Waterworks District is a political subdivision of the State of Louisiana. It was created under the provisions of Louisiana Revised Statutes 33:3811 for the purpose of providing water to the rural area of Central Jefferson Davis Parish. The District is governed by a board of commissioners composed of five members appointed by the Jefferson Davis Parish Police Jury.

#### 1. Reporting Entity

As the governing authority, for reporting purposes, the Jeff Davis Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Jeff Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the police jury to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority to the district and has the ability to impose its will, the District was determined to be a component unit of the Jeff Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### 2. Basis of Presentation

The accompanying financial statements of the Jefferson Davis Central Waterworks District have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments", issued in June 1999.

The financial statements of the District are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the District has elected to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the District come from metered sales to residential and commercial customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### 3. Cash and Investments

##### Cash

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.



# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2011, the District has \$743,718 in deposits (collected bank balances). These deposits are secured from risk by \$264,709 of federal deposit insurance and \$479,009 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

#### 4. Accounts Receivable

Uncollectible amounts due for accounts receivable are recognized as bad debts using the direct write-off method. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to a bad debt that is materially different from the amount that would be charged if the reserve method were used.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water user fees. The District's ability to collect the amounts due from the users of the District water system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

#### 5. Construction Period Interest

Interest costs of \$90,740 during original construction period of plant were capitalized and are being amortized over the term of the original bond issue using the straight-line method. Amortization expense was \$2,388 for the year ended June 30, 2011.

#### 6. Statement of Cash Flows

For purpose of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$743,718 which represents unrestricted amounts of \$443,652 and restricted amounts of \$300,066.

#### 7. Budgets

An enterprise fund budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

# **JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT**

## **Notes to Financial Statements**

**June 30, 2011**

### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget.

Expenditures may not legally exceed budgeted appropriations at the activity level.

#### **8. Net Assets**

In the financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

#### **9. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **10. Subsequent Events**

Management has evaluated subsequent events through August 19, 2011, the date the financial statements were available to be issued.

#### **11. Comparative Data**

Comparative totals for the prior have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE B - AD VALOREM TAXES

For the year ended June 30, 2011 taxes of 9.29 mills were levied on property with assessed valuations totaling \$41,867,193 and were dedicated as follows:

General operations	9.29 mills
--------------------	------------

Total taxes levied were \$388,946.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15 of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

Through June 30, 2011, \$20,841 of ad valorem taxes was paid under protest by various taxpayers. The taxpayers will present their protest to the Louisiana Tax Commission which will render a decision. It is possible that these funds, which are reported in the cash amount on the balance sheet, would have to be refunded to the taxpayers.

### NOTE C - FIXED ASSETS

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant & distribution system	7 - 50 years
Furniture, fixtures and equipment	5 - 10 years

A summary of changes in fixed assets for the year ended June 30, 2011 are as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of year</u>
Land	\$ 23,800	\$ -	\$ -	\$ 23,800
Construction in progress	744,927	-	744,927	-
Plant & Distribution System	4,918,197	928,460	-	5,846,657
Furniture, Fixtures & Equipment	<u>245,250</u>	<u>6,206</u>	-	<u>251,456</u>
	5,932,174	<u>\$ 934,666</u>	<u>\$ 744,927</u>	6,121,913
Less accumulated depreciation	<u>(2,554,505)</u>			<u>(2,735,476)</u>
Totals	<u>\$ 3,377,669</u>			<u>\$ 3,386,436</u>

Depreciation expense was \$180,972 for the year ended June 30, 2011.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE D -- LONG-TERM DEBT

The following is a summary of bond transactions of the District for the year ended June 30, 2011:

Bonds payable, June 30, 2010	\$ 1,347,390
Bonds retired	(380,000)
Plus: Amortization of 1997 bond issuance costs	<u>22,610</u>
Bonds payable June 30, 2011	<u>\$ 990,000</u>

Bonds payable at June 30, 2011 are comprised of the following individual issue:

\$425,000 revenue bonds dated August 1, 2003, due in annual installments of \$30,000-\$45,000 through April 1, 2018, interest variable from 3.00%-4.25%	\$ 270,000
\$750,000 revenue bonds dated January 21, 2010 due in annual installments of \$30,000 - \$80,000 through April 1, 2025, interest variable at 2.0% - 5.5%	<u>720,000</u>
	990,000
Less currently payable	<u>65,000</u>
Total Long-Term Debt	<u>\$ 925,000</u>

The annual requirements to amortize all debts outstanding, including interest of \$346,517, as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	\$ 90,769
2013	94,167
2014	92,404
2015	100,539
2016	103,320
Thereafter	855,318

Refunding bond issuance costs of \$14,595 were written-off during the year upon the early payoff of the respective bond issue. Amortization expense was \$8,015 for the year ended June 30, 2011.

The revenue bonds are to be retired from revenues derived from the operation of the District.

# JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

## Notes to Financial Statements

June 30, 2011

### NOTE E - COMPONENTS OF RESTRICTED ASSETS

	Revenue Bond <u>Sinking</u>	Revenue Bond <u>Reserve</u>	Revenue Bond <u>Contingency</u>	Customer <u>Deposits</u>	<u>Totals</u>
Cash	\$ 28,970	\$ 125,327	\$ 13,156	\$ 132,613	\$ 300,066

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond sinking" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond sinking account. The "bond contingency" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The amount of restricted net assets for debt service is detailed as follows:

Restricted assets: revenue bond sinking, reserve and contingency funds	\$ 167,453
Less: Accrued interest, payable from restricted assets	<u>10,178</u>
Restricted Net Assets	<u>\$ 157,275</u>

### NOTE F - PER DIEM

Total per diem paid consisted of the following:

Benet Augustine	\$ 1,200
Lee J. Clement	1,200
Billy Compton	1,000
Billy Precht, Jr.	1,100
John Reeves	<u>1,200</u>
	<u>\$ 5,700</u>

### NOTE G - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Assets -  
Budget and Actual**

**Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 450,000	\$ 493,847	\$ 43,847
Installations	10,000	9,850	(150)
Penalties and reconnect fees	25,000	29,990	4,990
Miscellaneous	-	1,791	1,791
<b>TOTAL OPERATING REVENUES</b>	<u>485,000</u>	<u>535,478</u>	<u>50,478</u>
<b>OPERATING EXPENSES</b>			
Advertising	1,000	502	498
Amortization	-	2,388	(2,388)
Auto mileage	3,300	3,300	-
Chemicals	30,000	16,903	13,097
Communication	4,500	3,769	731
Contract labor	2,000	9,620	(7,620)
Depreciation	179,900	180,972	(1,072)
Dues	6,000	7,088	(1,088)
Equipment rental	5,000	3,961	1,039
Fuel	9,500	6,808	2,692
Garbage service	500	243	257
Insurance - employees	24,000	25,365	(1,365)
Insurance - other	25,000	12,738	12,262
Meter reading services	17,000	15,996	1,004
Miscellaneous	6,000	3,253	2,747
Office	2,000	1,651	349
Per diem	7,000	5,700	1,300
Postage	5,000	4,494	506
Printing	2,000	1,348	652
Professional fees	5,000	4,000	1,000
Repairs and maintenance	53,000	70,899	(17,899)
Retirement	7,000	6,953	47
Salaries	142,600	142,662	(62)
Supplies	32,000	28,235	3,765
Taxes and licenses	10,870	10,914	(44)
Utilities	43,000	31,907	11,093
Water samples	3,000	1,045	1,955
<b>TOTAL OPERATING EXPENSES</b>	<u>626,170</u>	<u>602,714</u>	<u>23,456</u>
<b>OPERATING INCOME (LOSS)</b>	<b>(141,170)</b>	<b>(67,236)</b>	<b>73,934</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Ad valorem taxes (net)	250,000	369,368	119,368
Interest income	10,000	14,193	4,193
Gain on sale of assets	-	-	-
Interest expenses	<u>(63,150)</u>	<u>(80,298)</u>	<u>(17,148)</u>
	<u>196,850</u>	<u>303,263</u>	<u>106,413</u>

Continued

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets -  
Budget and Actual - Continued

Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
CHANGE IN NET ASSETS	\$ 55,680	\$ 236,027	\$ 180,347
NET ASSETS - BEGINNING	<u>2,777,660</u>	<u>2,777,660</u>	<u>-</u>
NET ASSETS - ENDING	<u>\$ 2,833,340</u>	<u>\$ 3,013,687</u>	<u>\$ 180,347</u>



**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
GRAHAM A. PORTUS, E.A.  
COY T. VINCENT, C.P.A.  
MICHELLE LEE, C.P.A.  
BRADLEY J. CASIDAY, C.P.A., C.V.A.  
JULIA W. PORTUS, C.P.A.  
KATHRYN BLESSINGTON, C.P.A.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

August 19, 2011

Board of Commissioners  
Jefferson Davis Central Waterworks District  
Welsh, Louisiana

We have audited the financial statements of the Jefferson Davis Central Waterworks District, a component unit of the Jefferson Davis Parish Police Jury, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 19, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jefferson Davis Central Waterworks District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis Central Waterworks District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Gragson, Casiday & Guillory*

JEFFERSON DAVIS CENTRAL WATERWORKS DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

1. Summary of Auditors' Results:

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? ☐ yes ☒ no
- Control deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None